4/8/88 C0175-1 A

American Banker

The Daily Financial Service

155389000015 2/ 5/07 C11
STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

VOL. CLIII NO. 69 Friday, April 8, 1988 153rd Year

Today

Midsize Chicago-area banks are no longer standing in the shadows of their larger downtown counterparts, due to good earnings, expanding markets, and clean loan portfolios. —2

First Illinois Corp. will acquire the United Illinois Bank of Troy, using an Illinois regulatory policy that allows a bank company to acquire a "less active" bank charter and then relocate the charter anywhere in the state. 2

Intense rivalry is leading the Chicago Board of Trade and the Chicago Mercantile Exchange to seek different strategies for maintaining their global dominance of the futures industry. 3

First Oak Brook Bancshares drew attention to its annual reports by gluing a one dollar bill to the top of the first page. —3

INSIDE

Two more large Texas banks — National Bancshares Corp. and Texas American Bancshares Inc. — have come under close regulatory scrutiny and may soon require federal assistance. — 15

Executive Changes — 10
In the News — 15

COMMENT

It is unfair, even dangerous, to have deposit insurance and regulatory systems that make banks too big to fail, writes Karen D. Shaw. —4

THRIFTS & MORTGAGES

Savings and loans have attracted $10 billion in equity capital since 1975 by converting from mutual to stock ownership, according to the Bank Board, which administers the increasingly popular conversion program. New investment generated by the conversions represents 20% of the industry's $51.6 billion in regulatory capital. —5

Bank Board member Lawrence White found himself mired in controversy after suggesting a risk-based premium as the solution to the cost and inequitable rates of the thrift industry's deposit insurance. —5

Thrift managers should carefully consider the options involved in making loans versus buying loans in order to maximize income. —6

Collective Federal Savings Bank, Egg Harbor City, N.J., has agreed to buy Glen Ridge Savings and Loan Association, Glen Ridge, N.J. —6

Worth Repeating

I don't think it's a completely strange idea to give away some of our inventory. A dollar is not worth what it used to be, anyway.

Richard Rieser, president of First Oak Brook Bancshares, on gluing one dollar bills to the company's annual reports. [Page 3]

Barclays Says It Won't Ride to Irving's Rescue

By GORDON MATTHEWS and JOHN J. DUFFY

New rumors of a white knight for Irving Bank Corp. surfaced Thursday, and the price of its shares rose sharply. But the stock fell back after Barclays, the British bank, denied it was talking with Irving chairman Joseph A. Rice, who is in London.

Irving is fighting a hostile takeover by Bank of New York Co., which is offering $60 per share for its Wall Street rival. Irving stock traded as high as $70 on Thursday before receding to close at 67⅞ on the New York Stock Exchange, up 3¾ for the day. One million shares traded hands, more than three times the volume Wednesday.

The market rumors were prompted by two apparently unrelated developments — a filing by Irving on Wednesday with the Securities and Exchange Commission, followed by Barclays' Thursday announcement that it will raise $1.7 billion in a new equity issue.

Irving told the SEC it is seeking alternatives to Bank of New York's offer but made no mention of Barclays. The British bank denied it was interested in acquiring the New York bank and specifically denied that talks had occurred with Mr. Rice in London.

Irving confirmed that Mr. Rice was on a business trip in Europe with the banking firm's executive vice president and controller, Anthony R. Burriesci. There has long been speculation that any white knight for Irving would have to come from the ranks of foreign banks, particularly European banks.

In New York, the rumors were sparked by an SEC filing containing the court affidavit of Milton Berlinski, vice president of Goldman, Sachs & Co., Ir-

Barclays: Page 15 ➡

Top Bank Municipal Bond Underwriters

Total issues, with full credit to lead manager

	Overall Rank	Volume (Millions)	Issues	Market Share
Merrill Lynch Capital Markets	1	$8,599.2	272	8.5%
1. Citibank	13	1,912.2	33	1.9
2. Chase Manhattan Bank	14	1,792.4	32	1.8
3. J.P. Morgan Securities Inc.	17	1,337.9	27	1.3
4. Bankers Trust Co.	24	1,011.1	26	1.0
5. Chemical Bank	27	891.5	63	0.9
6. First National Bank of Chicago	30	654.8	45	0.6
7. Northern Trust Co.	31	576.6	76	0.6
8. First Fidelity Bank of New Jersey	33	549.2	33	0.5
9. Continental Illinois National Bank	36	490.2	15	0.5
10. Bank of America	37	454.4	25	0.4
Total for Top 10 Banks		**$9,670.3**	**375**	**9.5**

Source: Securities Data Co./Bond Buyer

An American Banker Special Report

Banks Make Steady Progress In Municipal Bond Underwriting

By JOHN P. FORDE

Fifth in a Series

NEW YORK — Prominent on a glass table in William N. Hudson Jr.'s office at Marine Midland Banks here is a scorecard from a football game between the Miami Dolphins and the Buffalo Bills.

INVESTMENT BANKING: How Are Banks Doing?

Mr. Hudson, a Bills fan himself, isn't displaying the program because of team loyalty. The head of Marine's municipal securities division has business reasons for liking the Dolphin's spanking-new Joe Robbie Stadium more than the individual teams involved in the game.

Marine, through a subsidiary that provides financial advisory services for municipalities, assisted Mr. Robbie, the Dolphins' owner, in arranging the financing for the stadium's construction. It also comanaged, with Southeast Bank of Florida and Citibank, a $90 million bond issue for the stadium.

Banks have been chipping away at restrictions on underwriting municipal revenue bonds, and their efforts are paying off as large bond deals more frequently include banks as underwriters. On Tuesday, for example, Citicorp investment bank here was named one of six senior underwriters to manage a debt financing by the Louisiana Recovery District, Baton Rouge. The underwriting could total more than $1 billion.

Nonetheless, banks remain unable to

Banks Continue: Page 16 ➡

Bank managers spend less than 25% of their time looking for new business.

Unisys branch automation puts information, selling prompts, forms, spreadsheets and complete customer profiles on-line at each terminal. So everyone gets more time to do what you need them to do most—sell. BETTER INFORMATION. BETTER DECISIONS.

UNISYS
The power of ²

© 1988 UNISYS CORP

April 8, 1988, American Banker

Who's Insuring What for Whom: First Republic's Lessons

By KAREN D. SHAW

THE FAILURE of First Republic Bank, coming on top of the shaky rescue package for First City and the continuing thrift industry crisis, concentrates the mind wonderfully on the prospects for the deposit insurance system as a whole.

Indeed, the nature of these recent failures — and the response of the deposit insurance funds to them — pose vital public policy questions which can directly affect the future of every large insured depository institution in this country.

These concerns are not academic. During an era of unprecedented stress on banking industry profitability and unremitting competition at home and abroad, every factor which affects the structure and stability of the U.S. banking system must be carefully evaluated.

The system is simply not strong enough to absorb unnecessary stress, and regulatory policies which may — inadvertently — contribute to the stress pose as much of a risk to the industry as the banking buccaneers or economic downturns blamed for industry problems.

Perhaps the most troubling aspect of all, in the package put together hurriedly to rescue First Republic, is the Federal Deposit Insurance Corp.'s assurance that all deposits will be insured, regardless of amount. This policy echoes the tactic used in the First City restructuring package and the Continental Illinois bailout. At one stroke, the FDIC has converted all of these banks from the worst to the best bets in town — they're now the only institutions in the country which carry the federal government's backing for every deposited dollar.

In each case, the FDIC took this extraordinary step in order to contain a raging fire. All of these banks experienced massive runs before the FDIC issued its pledge to back all deposits.

The government's guarantee has acted to steady depositor confidence and, at least, slow, the pace of withdrawals. Given the nature of the emergency, the FDIC's action is completely understandable, and it's difficult not to be sympathetic to the dilemma of federal decision makers caught in a critical period.

Nevertheless, the pledge of 100% deposit insurance for large failed banks raises several very troubling questions. Why did the FDIC issue these guarantees in three large failures, while hundreds of small banks have disappeared without similar comfort to their depositors?

Are Some Banks Really Too Big to Fail?

Are there actually banks which are "too big to fail," as some Congressmen have alleged? If so, what obligations do such government-sponsored corporations owe to the public, the economy, and the government which gives them an advantage afforded no other type of privately held corporation?

In 1980, Congress raised the amount covered by federal deposit insurance to $100,000 per account. This substantially broadened the pool of insured funds, and also spawned a money brokering industry, which placed easy-to-handle $100,000 deposits with institutions offering high certificate-of-deposit rates across the country.

Increasing the insurance threshold decreases the risk of holding funds in an institution, and it has made both personal and institutional depositors far less concerned with the stability of the institutions in which they place their funds. It has, therefore, increased the amount of "hot money" found in marginal banks, money which flows out quickly when problems become too obvious to avoid. At that stage, the institutions becomes so vulnerable to massive outflows that no temperate policy of gradual rescue seems viable and the FDIC has been forced to rescue the bank as a whole.

In contrast, small institutions, too out-of-the-way or too dependent on local funds, do not generally experience these hot-money runs when they are endangered. The size of the potential failure and the obscurity of the bank generally pose no overall market risk. In these cases, the FDIC can either arrange a purchase or pay off depositors to the insurance limit.

These big bank bailouts seems to have created a new class of institutions which are so vulnerable to deposit volatility and so intertwined with the national payments system that they cannot be allowed to fail. Because of their size, such banks are generally difficult institutions to merge or sell — even in shotgun marriages.

Indeed, new capital adequacy rules will further limit the number of potential acquirers over the next five years. This makes it even more likely that any future problems of the current scale will also have to be rescued directly by the FDIC, rather than handled through purchase-and-assumption transactions.

No Rescue for Shareholders

It is, of course, important to note that the FDIC has not rescued the shareholders in these large banks. Nor, in recent years, has it saved the bank holding companies, since it now can isolate the insured bank from the holding company structure. However, the customers and creditors of these failed bank enjoy a privilege shared in no other sector of the economy — their risks are covered by the full faith and credit of the United States government.

If some banks are indeed too large to fail, then they are also wards of the state, protected in vital ways against management folly and market downturns. As is always the case, such protection cannot come without cost. Indeed, if Congress comes to recognize that some banks are, in effect, nationalized, the price of this protection may resemble the price extorted by the bare-knuckle brigade for "protection."

If the government stands behind large banks, then large banks may be expected to back government policy. For example, banks could — as is already being suggested — be required to make banking services available to all persons or to lend certain amounts to designated groups of small business or selected industry sectors.

Opponents of new bank powers have historically used the argument that banks should not be allowed to compete because deposit insurance gives them an undue advantage. Certainly, if some banks are not permitted to fail, then they in fact do have a market advantage.

Creditors, for example, may be willing to extend funds to large banks on terms not available to other financial service firms, knowing that their loans are fully secured. Such banks may also be able to gather funds at lower cost than other financial institutions, since all deposits are implicitly guaranteed.

What size of bank would fall into this protected category? It's hard to say, but it would appear that any bank big enough to place a substantial drain on the FDIC's $18 billion fund or to be a national payments system player might fall into this group.

Most banks of this size would not welcome the obligations which come with a 100% deposit insurance guarantee. But it may be difficult to refuse if, when large banks are troubled, the FDIC continues to provide complete coverage.

Is the FDIC big enough to handle this self-imposed burden? Probably not. The $18 billion or so in the fund now is more than adequate to deal with anticipated problems, particularly if these situations are diagnosed early and treatment prescribed before the disease slips into the terminal stage. This same sum is not, of course, enough actually to pay depositors at the banks in question, but the FDIC does have access to the Treasury in emergency situations.

It might be argued that a premium increase is necessary not only to compensate the FDIC for funds already spent in these recent failures, but also to buttress the fund against any future large bank failures in this new era of complete coverage. Small banks already believe that big banks should pay deposit premiums on their foreign deposits, although they want their own premiums reduced at the same time.

Banks Can't Afford Higher Premiums

The banking industry simply cannot afford to pay any more premiums. Even the seemingly modest one-twelfth of 1% charged now is a substantial sum for banks of all sizes. Premium assessments paid into the corporation in 1987 amounted to $1.7 billion — accounting for 46% of the net industry profit of only $3.7 billion.

If we can't make the banks pay much more into the deposit insurance fund without, in the long run, destabilizing the industry even further, where's the money to come from? It seems unlikely that Congress will appropriate funds. In these budget-conscious days, there isn't enough money to pay even for current claims on Uncle Sam.

The picture grows even more bleak when the thrift industry crisis is factored into the picture. Some have felt that the ultimate savior for the bankrupt Federal Savings and Loan Insurance Corp. is a merger with the affluent FDIC. But, as noted, the FDIC is under its own stress. As long as it promises to pay 100% on all deposits in large troubled banks, it cannot afford also to assume the burden of the thrifts.

The solution must lie not in pumping more money from banks or taxpayers into deposit insurance — there simply isn't the money out there. Instead, this complex problem of offsetting public needs will have to be met with a complicated solution. The answer lies in a combination of careful regulatory action, reform in the deposit insurance system, and legislative changes to bolster bank and thrift profitability.

Changes in the regulatory structure which would help in the short run include increased disclosure of bank and thrift financial conditions — allowing depositors and creditors to assess realistically the risks of dealing with a particular bank. In addition, regulators should be especially careful to adopt no policy which hampers profits.

The new risk-based capital adequacy proposals, which intended to strengthen the banking system, may actually weaken it in the long run as vast new costs are imposed on institutions of all sizes. It is worth noting, incidentally, that First Republic when it failed had a 9% capital level.

Changes in the deposit insurance system will need to ensure that the funds have the resources to deal with crises before they happen. First, the resources available to the supervisors need to be increased; the budget costs of doing so pale in comparison with the

Comment: Page 10 ➡

Ms. Shaw is executive vice president of the Institute for Strategy Development, a Washington-based bank consulting firm.

Why did the FDIC issue these guarantees in three large failures, while hundreds of small banks have disappeared without similar comfort to their depositors?

— Karen D. Shaw
Executive Vice President
Institute for Strategy Development

American Banker
The Daily Financial Services Newspaper
Established 1836
One State Street Plaza, New York, N.Y. 10004
(212) 943-6700

Editor: William E. Zimmerman
Managing Editor: Brian P. Sullivan
News Editor: Thomas J. Ferris
Associate Editors: Laura Gross, Sanford Rose, David O. Tyson

NEWS BUREAUS:
Washington: Chief, Robert Trigaux, 911 National Press Building, Washington, DC 20045; (202) 347-5529; Telecopier: (202) 628-6522.
Midwest: Chief, Richard Ringer, 53 W. Jackson Blvd., Suite 230, Chicago, Il 60604; (312) 663-6380; Telecopier: (312) 939-4925.
West Coast: Chief, Robert Luke, Suite 320, 510 W. Sixth St., Los Angeles, CA 90014; (213) 627-0953; Telecopier: (213) 627-8310.
San Francisco: Chief, Michael A. Robinson, 450 Sansome Street, Suite 1420, San Francisco, CA 94111; (415) 986-8705; Telecopier: (415) 398-4156.
Southwest: Chief, David LaGesse, Suite 1600, 8080 North Central Expressway, Dallas, TX 75206; (214) 891-8878; Telecopier: (214) 696-0050.
New England: Chief, Michael Weinstein, 210 South St., Boston, MA 02111; (617) 542-6848; Telecopier: (617) 542-2221.
London: Chief, John J. Duffy, American Banker, c/o Infopac S.A., 31-35 Beak St., London W1R 3LD England; (011) (441) 439-3066; Telecopier: (011) (441) 734-5153.

Feature Editions Editor: Patricia Stundza
Chief Statistician: L. Michael Cacace
Senior Editor, Copy Desk: Aileen L. Kyte
Art Director: Pamela Budz
Contributing Editor: Paul S. Nadler

President: George W. Landgrebe
Executive Vice Presidents:
Publishing - Edmund C. Burke
Information Products - Robert S. November
Administration - Con A. Rusling
Vice Presidents:
Production Services - Neil Fitzgerald
Advertising - Edward C. Frey
Circulation - James E. McSurely

Advertising:
New York: (212) 943-4259
Chicago: (312) 663-6390
San Francisco: (415) 421-7950
Los Angeles: (213) 382-6346
Charlotte: (704) 522-7181
Classified: (800) 221-1910
International: (212) 943-4250
Telex: 421768 ABKR

Subscription Rates: U.S. $525.00, Canada $775.00.
Canada Air Mail and Foreign $1090.00. Single copy $3.45
©1988 by American Banker • Bond Buyer, a division of International Thomson Publishing Corporation. All rights reserved.
"American Banker" is a registered trademark of American Banker • Bond Buyer. Registered in U.S. Patent and Trademark Office.
Published daily except Saturday, Sunday and holidays.
Second Class Postage Paid at New York, N.Y. and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

For subscription orders and inquiries call:
Outside New York - (800) 221-1809
In New York - (212) 943-9589 Collect.

Wires: WU Telex 882385 Answer Back: AmerBank NYK. WUI 62594 AMERBANKER
Cable Address: AMERBANKER New York.
Telecopier: (212) 943-2222

April 8, 1988, American Banker

Banks Continue Incursions into Municipal Bond Area

→ Continued from Page 1

participate in underwriting a large part of this section of the bond market. The Glass-Steagall Act prohibits banks from underwriting most municipal revenue bonds on the premise that they are more risky than general obligation securities. So far, the Federal Reserve Board has granted 11 banks broader underwriting authority, but a federal court has issued a stay that is expected to keep banks out of the area until Congress acts.

"Banks have been disadvantaged in that they are kept from about 50% of the [bond] market in most years, and as much as 70% in some years, because they cannot underwrite revenue bonds," Mr. Hudson says.

Banks have responded to this prohibition by staking out specific areas of the municipal finance business.

Marine Midland seeks to advise municipalities on every part of their financial needs, from bond issuing to cash management services. Their customers include a lot of smaller issuers that do not do their own cash management.

Bigger institutions have staked out different areas, with most focusing on their underwriting capabilities. Morgan has become the lead underwriter of revenue bonds for higher education, for example, while Citibank has become one of the chief revenue bond underwriters for the housing industry.

Despite the fact that they are picking up business, banks are in a difficult situation because these market segments are relatively small. For example, in 1985, Morgan underwrote the largest education bond offering in history — a $345 million issue for the University of Texas System. This is small compared with some of the largest revenue bond issues, like the $7 billion in financing that is being considered in the proposed privatization of the Long Island Lighting Co.

Getting the Hospital Business

Using methods similar to those used to gain other securities powers, banks have worked to expand the types of issuers for which they can work. One area in which this succeeded is the underwriting of some types of revenue bonds issued by hospitals.

Strictly speaking, banks are not allowed to underwrite hospital revenue bonds. However, in 1986, bank regulators interpreted the permission banks have to underwrite education bonds to include teaching hospitals.

Under this interpretation, revenue bonds issued by those hospitals with medical schools, which include most of the largest institutions, are fair game for bank underwriters. In 1987, Morgan underwrote the largest single hospital offering ever, a $460 million issue for Columbia Presbyterian Hospital Center in New York.

Bankers estimate that revenue bonds, which banks are not eligible to underwrite, constitute about half of all municipal bond issues in many years. Revenue bonds are considered the most lucrative area of municipal bond underwriting, because they are for larger deals and have negotiated fees.

However, revenue bonds are becoming a tougher business, and bankers estimate that spreads in the bond market have narrowed by about 35% recently. An underwriter who had previously been earning about $22 per $1,000 bond about three years ago would now earn only about $13.35 per bond on a similar issue. Bankers claim that with their lower cost structure and retail distribution network, they can make the business work at lower spreads.

Activity in this segment of the market is weakening. According to a study by IDD Information Services, the volume of negotiated municipal financings, which include most revenue bonds, slipped 38% to $4.4 billion in 119 issues in January 1988. That compared with $7.1 billion in 161 issues in the first month of 1987.

Correction

A March 30 article on page 3 and an April 4 correction on page 2 incorrectly reported that Broadview Savings Bank, Cleveland, has been barred from selling software until 1990. Under the settlement of a federal suit, Broadview cannot market a banking applications package licensed by Robert A. Foraker until March 31, 1990. In the meantime, however, the thrift can develop and sell other software products.

In 1987, Morgan underwrote the largest single hospital offering ever.

General obligation issues, which include those that banks are allowed to underwrite, tend to be for smaller amounts. Even more important, the fees for these issues are set through a competitive bidding process that tends to keep them small.

However, the volume of competitive bid issues was 74% higher in January — 77 competitive bid issues worth a total of $1.5 billion. That compared with 50 issues worth a total of $856.7 million in January 1987.

Already, banks are preparing for the Glass-Steagall walls to fall. Arthur Kalita, managing director of J.P. Morgan Securities Inc. and executive director of the Public Securities Association, estimates that if banks receive permission to underwrite revenue bonds, his company will increase its underwriting staff from the present level of 26 professionals to about 40 in three to four years.

A Changing Market

The municipal bond market is undergoing a restructuring that has seen some of the top underwriters leave it flat, while others move in to take a larger share of the business.

Large regional banking companies are beefing up their municipal bond operations. Citizens and Southern National Bank, Atlanta, for example, recently hired Edward L. Prince, a former vice president with Chemical New York Corp. who was in that firm's hospital and higher education groups.

Mr. Prince will manage the company's public finance department in Tampa, Fla. The unit raises capital and provides financial advice for state and local governments as well as for hospitals and universities.

George Cooke, manager of Citizens and Southern's portfolio/funds management group, said the hiring of Mr. Prince and Raymond Lacey, who worked with Mr. Prince at Chemical, indicates that underwriting municipal revenue bonds is an important part of his company's regional banking practice.

"Muni underwriting helps to facilitate the growth of the community," Mr. Cooke says, "making sure that the community gets the funding necessary to grow." He believes that a change in Glass-Steagall to allow full revenue bond underwriting would increase competition among underwriters and allow smaller communities to lower their fees in issuing bonds.

According to a survey done by Securities Data Co. and *The Bond Buyer*, the top 100 municipal bond firms underwrote $96.9 billion in municipal debt during 1987. That was out of a total of $101.6 billion in municipal issues for the year.

Merrill Lynch Capital Markets led all underwriters in 1987, with 272 issues worth a total of $8.6 billion. That amounted to 8.5% of the total market for the year.

(Both *The Bond Buyer* and Securities Data Co. are subsidiaries of International Thomson Organisation Ltd., which is the parent company of the *American Banker*.)

Citibank was the top bank municipal bond underwriter for the year, with a total of 33 issues worth $1.9 billion, for a 1.9% market share. Chase Manhattan Bank, J.P. Morgan Securities Inc., and Bankers Trust Co. were the only other bank companies that underwrote more than $1 billion in municipal issues last year.

Banks are much larger players in markets in which they can compete on an even basis, bankers say. For example, Citibank ranked fourth among underwriters of general obligation municipal issues in 1987, with 22 issues worth a total of $1.6 billion, for 5.1% of the market.

Bankers in the business say their institution could be a lot more active if the Glass-Steagall Act were repealed. A full-fledged municipal bond business would enable banks to attract top municipal bond underwriters, bankers say.

Nelson D. Civello, deputy division executive and director of Marine Midland's public finance group, says recognized talent is a necessity in building a municipal bond underwriting business. The performance of a municipal bond underwriter depends on "the creative talent of investment bankers and the distribution power of your desk," Mr. Civello says. Currently, he says, "banks can't bring in top talent because their desks don't have the top drawing power of revenue bonds."

Moving Professionals

Turmoil in the municipal underwriting industry may supply banks with the professionals they need to build their businesses, however. Many securities firms overexpanded in the blindingly profitable bond market of the mid-1980s. As the market became tougher, they've been cutting back. The reduction in staff has been, in many cases, even faster than the expansion of a few years ago.

This decompression of the industry started with Salomon Brothers Inc., which had been one of the leaders in the municipal bond industry. Salomon closed its municipal bond underwriting business last fall, blaming the poor operating environment of the municipal industry.

Banks have staked out specific areas of the muni business.

Other top municipal bond underwriters followed, including some of the major banks. The list of institutions cutting back included L.F. Rothschild & Co.; Continental Illinois National Bank and Trust Company of Chicago; and Kidder, Peabody & Co., as well as Citibank and Morgan Securities.

Observers say the cutbacks were the result of too many competitors chasing too little business. The Tax Reform Act of 1986 changed the rules on what could be issued on a nontaxable basis. "We used to have a 50% piece of a much bigger pie," Mr. Kalita says.

And the volume is probably not going to get much better. According to a study by Sanford C. Bernstein & Co., the volume of future municipal financings will not be robust. The report points out that municipal debt issued to raise new capital has historically grown at the same rate as the gross national product, which has been 8.5% for the period of 1981-86. A recession would slow this rate of growth even further.

Even securities firms are seizing on the downturn in their quest to bar banks from entering the municipal bond business. Edward I. O'Brien, president of the Securities Industry Association, said in a report last month: "While banks are seeking to enter the municipal underwriting and commercial paper underwriting [fields], some securities firms in these fields are leaving, or reducing their role in, those businesses because of their unprofitability."

The securities association's report went on to say that the "withdrawal suggests fewer rather than more competitors are needed to supply these services to users." ■

This concludes the *American Banker*'s five-part series on the progress commercial banks have made in investment banking. On Monday, a related story will look at whether banks are making any money in investment banking.

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our investment banking series meets your information needs. So would you spend a moment to give us some feedback? Please clip this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the series to make it more useful? What would you add?

_____

_____

_____

(2.) What do you like **best** about the investment banking series?

_____

_____

_____

(3.) What do you like **least** about it?

_____

_____

_____

(4.) How do you use the information on investment banking in your work?

_____

_____

_____

_____

Name (optional) _____

Title _____

Company _____

Address _____

_____

Phone _____